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ABSTRACT

Management by Objectives (MBO), a management system, is a vehicle to organize an agency or institution to enable it to more effectively carry out its plan. The system involves the following steps: (1) formulation of the mission statement (designation of the agency's basic purpose) and development and acceptance of the organization's long-range goals; (2) establishment of the organization's annual objectives (short measureable statements of results to be achieved which tell what is to be done and when); (3) determination of individual job functions and objectives; (4) operation of the system; and (5) performance review consisting of monthly reviews outlining problem areas, and face-to-face formal quarterly reviews of the extent to which organizational and individual objectives have been accomplished. (This paper identifies the research done on the MBO system and suggests sixteen areas for further research.) (EM)

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# A REVIEW OF MANAGEMENT BY OBJECTIVES WITH SUGGESTED AREAS OF RESEARCH

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## Introduction

Management by Objectives facilitates planning. Management by Objectives requires planning. Planning to be effective must be based upon accurate, current, relevant data and information. Management by Objectives is a vehicle to organize an agency or institution to enable it to more effectively carry out its plan. An effective Management by Objective system provides direction for an organization and guidance and accountability for individuals. A working Management by Objectives system is a means of communication both within and outside the organization.

While there are unquestionably many effective management systems, the one I can best describe to you is Management by Objectives. In doing this, I can best relate to you the experiences we have had in the Oklahoma State Department of Vocational and Technical Education in the implementation and operation of such a system. The Oklahoma State Department of Vocational and Technical Education is in its third year of operation under a Management by Objectives system. Let me tell you what I mean when we say "Oklahoma has a Management by Objectives system." In saying this, I mean that every operating unit within the Department of Vocational Education has a set of long-range goals supplemented by a series of annual measurable objectives which have been negotiated and agreed upon by those individuals working within that unit and the person responsible

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for supervision of that unit. In addition to this, every individual within the Department from the beginning clerk to the state director has a set of individual job functions and measurable job objectives which have been negotiated and agreed upon by that individual and his immediate superior. I would also indicate to you that progress toward these established objectives, both organizational and individual, is reviewed monthly by a brief report and quarterly through a personal evaluation.

M.B.O. Process

Let me describe to you the process that is followed in order to establish, operate and evaluate this Management by Objectives system. The first step is the formulation of the mission statement and development and acceptance of the long-range goals of that organization. The mission statement is a one-or two-sentence designation of the basic purpose of the agency, and is usually dictated by the laws which establish the agency or which provide its funds. Goals are long-range, broad, general statements of intent. They usually are not measurable and are applicable over a period of years without major revision. The mission statement for our department was written and agreed upon some three years ago at a workshop of representatives of the organization. That mission statement reads: To educate, train, and provide guidance for all persons who seek to develop the knowledges, skills, and behavioral characteristics that are necessary for employment.

The goals of the department were developed by a task force broadly represented throughout the staff and were then reviewed and revised by top administration and carefully considered and revised by the total staff of the Department. A representative goal of the department reads as follows: To expand vocational and technical education in order that the education offered by our schools may more accurately reflect the proportion of our population and the labor force that need training and education at less than the professional degree. At the completion of this step the Department has its basic purpose stated and a general statement of where it wishes to be some five to ten years from now.

The second step in the process of MBO development is the establishment of the annual objectives of the organization. Objectives are short statements of results to be achieved--they are measurable and tell what is to be done and when. The top level objectives

of the Department provide the overall work plan for the staff. These objectives should relate directly to the goals of the organization. These overall guidelines move downward through the organization with the second level divisions assuming and being assigned specific responsibilities relating to these objectives as designated by the objectives of the Divisions. The third level of the organization, that is the operating units, identify and receive their working orders from these divisional objectives. Each unit carves out its area of responsibility and writes its objectives accordingly. Through the process of negotiation, lines of responsibility are drawn, clarification of objectives is achieved, and agreement is reached upon the results expected of each unit. Organizational objectives go down through the third level of our Department with every operating unit, division and the Department assuming responsibility for its own assignments. Objectives at these three levels form the marching orders for the organization. They do not specify how the job is to be done nor do they assign responsibility for objectives within that unit.

The next step in the process is the determination of individual job functions and job objectives. Job functions are one- or two- word statements which designate the area of responsibility of individuals. Some appropriate job functions at the state level would be: administration, supervision, control, coordination, and so forth. These job functions simply serve as guides for organizing individual job objectives. They indicate to the employee the level of his responsibility and the degree of his authority. Job objectives are short, measurable statements of expected results. These statements should also be quantitative and should be qualitative to the degree possible. They indicate the results expected of the individual, but do not specify how the job is to be done. The individual employee and his immediate supervisor state separately what they consider to be the employee's job functions and these are finally established through negotiation. Job objectives are written by the individual employee and are negotiated with that person's immediate supervisor.

It is important to understand the role of the two individuals in the negotiation session. When I negotiate with those individuals who report directly to me, I take the position that they are experts in their particular area. My planner is the expert in planning, not me. I may question him for clarification of some of his individual work statements. I may suggest that certain of his job objectives are moving across the line into another area of responsibility, and I may suggest additional work statements in view of the overall

objectives of the Department. It is my responsibility to draw the lines between the areas of responsibility to avoid overlap and duplication. It is not my responsibility to tell the planner how he should do his job. This negotiation session should always be a free and open exchange of ideas. Both individuals should feel free to discuss and to debate the merits of any job objective. These job objectives specify who is responsible for what within the overall objectives of that particular unit or division.

This parallel system of organizational objectives and job objectives is essential if individual accountability and direction are to be accomplished. Individual employees should always feel free to include personal objectives which are negotiable and should view this as an opportunity to expand their own particular work assignments to the degree that they feel capable of handling. The majority of the job objectives should be traceable to the organizational objectives of that particular unit, that division, and the Department. However, they may be quite different in content than the organizational objectives at that level. For example, the division which I head has responsibility for research, planning, evaluation, and information services for the Department. However, my individual job objectives and my actual work effort do not specify these types of endeavor. My job objective and my job are in the area of budgeting, of personnel selection, of supervision of employees, of reporting to the next level of administration, of problem solution, and of leadership for the division.

There is always the question of additional work assignments. We can never at the beginning of the year fully foresee all of the work that will be required of any organizational unit. This is handled in two ways. First, an attempt is made to leave some time space which is simply designated as additional work assignments. This, of course, is very difficult to accomplish because all individuals have a full work schedule at the beginning of the year. It is my responsibility, when I give an additional work assignment to a unit head, to confer with him on how he is to handle those job objectives which he presently contemplates accomplishing within that given time frame. I must review his job objectives and give him the authority to postpone or delete those objectives which will free him to work on the new assignment. I make that decision, not the person receiving the assignment. Quite often when I review his objectives, I find that I want him to continue on his present work assignment rather than concentrate on what I originally wished to add to his work schedule. That decision is my responsibility.

M.B.O. Operation

The next phase of the MBO process is the actual operation of the system. We have learned through experience some guides which will assist in the operation of an efficient Management by Objectives system. We know that the system will not run itself. After a year's operation, we had assumed that individuals would continue by simply being told that we were continuing the operation of the system. This proved not to be true. Someone in the organization must have responsibility for assisting individuals with further development and revision of their work plan and with giving the kind of push necessary to keep people functioning in this way. After one year the system was evaluated and the staff of the department indicated overwhelming desire to continue with the system. However, time is required for planning, and for review, and this means that someone must be in charge of the Management by Objectives operation. Individuals must continually be encouraged to make the system work and to explore ways in which they can increase their own effectiveness on the job. Staff must be stimulated to review, to specify, and to clarify their own individual work plans.

Performance Review

The review process is a critical part of the Management by Objectives system. Our review process consists of two activities. There is a brief monthly report which is problem oriented. I ask that no individual spend more than thirty minutes making a monthly report. This report is written and states to me that work on objectives is progressing satisfactorily except in areas where there are problems. These problems are then outlined and as I receive the monthly report, they become my problem. Each of the monthly reports requires a response. I may respond in one of three ways, always in writing. I may suggest that the individual do certain things to solve the problem; I may suggest that I will do certain things to solve the problem or I may suggest that we discuss personally the approach to solving the problem. If it is a problem which I cannot handle, it goes to the next administrative level in my monthly report and becomes the problem of the state director. This monthly report serves to alert me as to where I should be concentrating my efforts in assisting those who are responsible for the operational work of the department.

The second part of the review process is the quarterly review. This quarterly review consists of a face-to-face, formal, scheduled consideration of the extent to which that

quarter's objectives have been accomplished. This includes both the organizational objectives and the individual objectives of the person who reports to me. The schedule operates in this manner. After the end of a quarter, my unit heads have a quarterly review with each of the people in their unit by the fifth of the month. Between the fifth and the tenth of the month, the unit heads have a review with me. Between the tenth and the fifteenth of the month, I have a review with the state director. In addition to a review of the level of accomplishment of objectives, we discuss where the emphasis is to be placed in the coming quarter.

We have found, much to our surprise, that individuals look forward to, in fact, insist upon having a quarterly review of their work. This gives them an opportunity to determine how well they are doing and to explain those areas in which they are having problems and to receive guidance for their work for the coming quarter. By the end of an operating year, these quarterly reviews, when accumulated, indicate the level of accomplishment of that particular organizational unit and the individual responsible for that area.

## Essential For Success

There are some essentials and some cautions which should be noted in relation to this type operation. The top administrator must give his full support to the implementation and operation of the system. Without this it simply becomes a process in futility. This is a participatory management system. All individuals within the organization must be involved in the planning, development, and operation of the system. MBO will move an organization in the direction of the organization's objectives. If these objectives are wrong, the organization will move in the wrong direction. There is always a tendency to make the system more complex and more sophisticated. We have exerted every effort to avoid the system running the organization. We have resisted suggestions which would complicate the system and burden the staff. Our emphasis has always been,"keep it simple." It is very easy to fall into the trap of symatics. It matters little whether you say shall or will. It matters little whether the date of completion is at the first of the statement or the last of the statement. Many individuals are inclined to spend hours discussing these fine points and many others to the detrement of the actual operation of the system. Wording is only important to the extent that it communicates the true meaning to the individual and to the organization.

MBO is primarily a method of internal management and caution should be exerted in relying too heavily upon this for salary increases or advancement or outside communication. It will assist in these areas but it is not the primary reason for a Management by Objectives system. The primary purpose must always be for the more effective use of individuals within the organization.

Research in M.B.O.

My major assignment and as I understand it, your particular area of interest, is in the potential for research embodied in Management by Objectives. I will speak to that question at this time. Some interesting research is presently being conducted. In Kansas, an anthropological study of the acceptance of Management by Objectives in a department of vocational education is being investigated. We have studied individual reaction to the implementation of such a system. Some other research topics presently under investigation are: Goal Characteristics and Personality Factors in an M.B.O. Program-The Relationship of Characteristics of the Review Process as Moderated by Personality and Situational Factors to the Success of M.B.O.-Some Factors Affecting the Success of M.B.O.

Only a few studies have been carried out on MBO programs in organizations. The General Electric research is perhaps the most widely known. The Purex studies attempt to relate hard production criteria to MBO. The Mendleson research examines the superior--subordinate dyad. The English studies and the hospital study present some case studies of the adoption of an MBO program, and the Kentucky studies examine differences in the method of implementing the MBO approach in an organization.
(Stephen Carroll and Henry Fosi. Management by Objectives: Applications and Research. (New York: The Macmillian Co., 1973.) pp. 8-9, & Appendix B.)

I think there are additional areas which should be explored. Some possibilities which I see are:

What is the most efficient process for specifying objectives for the organization?

What are the conflicts which arise in such a system and how should they be handled?

What are some alternative methods of developing competence in writing measurable, quality oriented objectives?

How can we predetermine those organizations for which MBO will be an effective system and those organizations in which it will not?

What role does individual personality of supervisor and subordinate play in the effectiveness of the review process?

How can we train supervisory personnel to conduct an effective quarterly review (probably the weakest link in most of the MBO systems)

How do we measure the effectiveness of implementation of Management by Objectives?

How do we test suggested changes in our Management by Objectives system?

What happens to an MBO system and its organization when a change in direction of the organization is mandated from outside?

How do we avoid fossilization of the system?

What is the effect of a Management by Objectives system on individual growth and innovativeness?

What can we learn from industry about efficient management of our organization?

What are the differences which must be considered as we modify industries management systems?

How can we have a series of built-in warning systems which will flash danger signals when the organization or the system is in trouble?

What are the time requirements of implementation and operation of a system and does the system result in a later saving of time and avoidance of emergencies?

How does the management style of the supervisor adjust to the maturity, experience, and competency of the subordinate?

M.B.O. requires an open and flexible attitude on the part of the top administration. As the reins of control are loosened, as staff at all levels begin to participate in decisions and assume responsibility, a means of two-way communication becomes more critical. This may mean a degree of discomfort for those who traditionally have made all the decisions; however, the imput of all those who are involved and affected is an idea whose time has arrived. M.B.O. appears to be one method of organizing to effectively manage an organization in order to use the best each member has to contribute.